

ONTARIO LOTTERY AND GAMING CORPORATION FINDS ITS MATCH (B)

Harley Redlick and Effie Wolle prepared this case under the supervision of Professor Chris K. Anderson solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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GOING FOR IT

Harley and Wolle decided that the data on hand was a significant enough sample to allow them to put their money at risk. The lone drawback seemed to be the volatility. The chances of the five-game parlay losing were 92.9 per cent, and thus the probability that the bet would not be won for weeks on end was significant. In fact, the volatility was so large that Wolle, the risk averse partner, would debate the bet's merit many times. Harley and Wolle decided to risk \$100 each per day, on a combination of five game parlays and eight game parlays.

RESULTS

Harley and Wolle laid the bets on a daily basis using this exact system. Over eight months of baseball, the duo bet a combined \$200 a day, some weeks losing \$1,400. In aggregate, Harley and Effie made over \$20,000.

After eight months (1.5 seasons) of betting, the actual winning percentage of underdogs was 58.6 per cent slightly lower than originally thought, yet significant enough for a large amount of arbitrage to exist.

OLGC ACTS

The OLGC removed the baseball hitting (BBH) point spread betting after it was found that too many people were betting on the underdog and that the system was faulty.

In an e-mail response to Wolle, the OLGC said:

We appreciate the interest in these events, but we are required to operate on a business basis, and so far this year there have been many BBH events where the payout was higher than the money wagered. The combination of lower hitting and heavy betting on the 'underdog' batters cannot be sustained, and so we're dropping BBH events from POINT SPREAD.

Please also be reminded that it's not unusual for us, or for other sports wagering operations, to make changes in what we offer. Over time we have added or removed sports. Baseball and hockey games were removed from POINT SPREAD when scoring trends reduced the potential spreads; similar to what has been happening with baseball hitting. We've also introduced a number of new sports and ways to wager, including our PROPS and POOLS cards, professional golf, and stock car racing, while baseball hitting events are still available on ProLine."

It took the government almost two years to discover something Harley had realized almost immediately — that a slightly inferior player with a tie advantage would be a significant favorite in a series of only three to five at bats/plays.